

# CERF



COUNTY EMPLOYEES' RETIREMENT FUND

## **Summary Annual Report**

For the Fiscal Year Ending December 31, 2011

Helping you build a brighter tomorrow

# COUNTY EMPLOYEES' RETIREMENT FUND

## CERF Pension Plan Information

CERF Administrative Office  
2121 Schotthill Woods Drive  
Jefferson City, MO 65101

Telephone: (573) 632-9203  
Toll-Free: (877) 632-2373  
Facsimile: (573) 761-4404  
Website: [www.mocerf.org](http://www.mocerf.org)  
E-mail: [admin@mocerf.org](mailto:admin@mocerf.org)

## CERF Savings Plan Information

Great-West Retirement Services  
100 N. Tucker, Suite 100  
St. Louis, MO 63101

Toll-Free: (877) 895-1394  
Facsimile: (314) 241-2181  
Website: [www.gwrs.com](http://www.gwrs.com)\*  
E-mail: [james.ellison@gwrs.com](mailto:james.ellison@gwrs.com)  
KeyTalk® Info Line: (800) 701-8255\*

\*User Name and Personal Identification Number required.

## COUNTY EMPLOYEES' RETIREMENT FUND 2011 Board of Trustees

**Jim Atchison** – *Board Member*

**Ken Dillon** – *Board Member*

**Conny Dover** – *Board Member*

**Rosemary Gannaway** – *Secretary*

**Elaine Luck** – *Chair*

**Kay Murray** – *Board Member*

**Jerry Reynolds** – *Board Member*

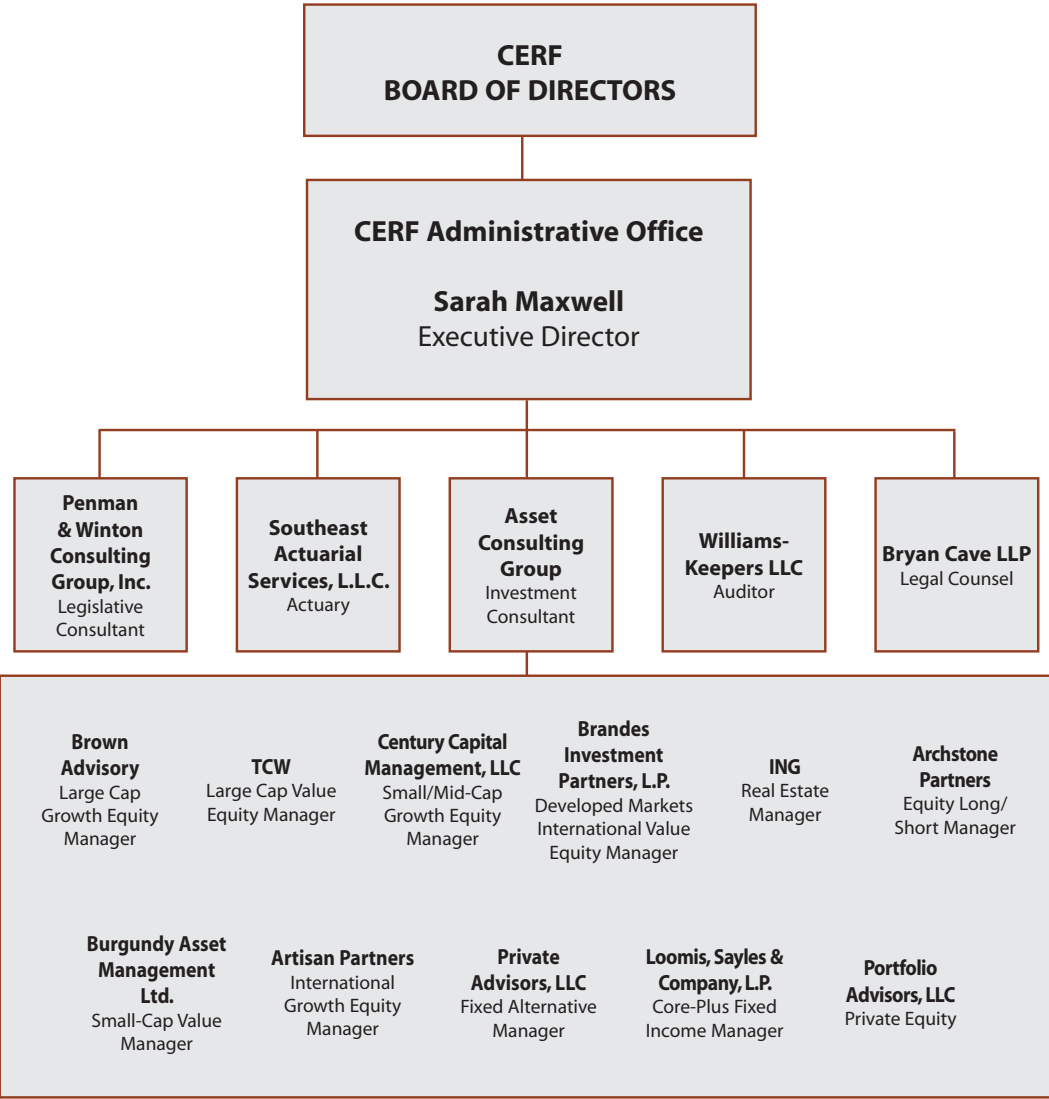
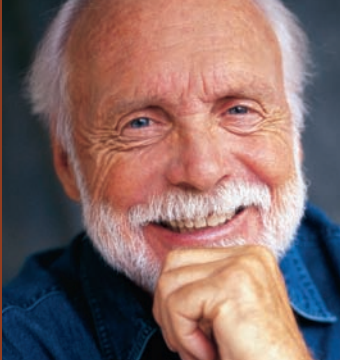
**Wayne Scharnhorst** – *Vice-Chair*

**Sherry Shamel** – *Board Member*

**Dennis Turner** – *Board Member*

**Vacant** – *Board Member*

# ADMINISTRATIVE STRUCTURE



*This Annual Report is distributed for informational purposes only. The full text of actuarial reports, financial statements and audit materials is available upon request pursuant to Missouri’s Open Records Law. To obtain any of these documents, you may send a written request to the plan administrator at:*

*CERF Plan Administrator  
2121 Schotthill Woods Drive  
Jefferson City, MO 65101*

*The actual language of the statutes and rules and regulations creating and implementing the County Employees’ Retirement Fund controls and takes precedence over the material contained herein. In the event a member has any questions concerning the County Employees’ Retirement Fund, the member should look to the statutes codified at Section 50.1000, RSMo (1994) et. seq. for guidance. Members should not rely on this summary in place of the actual text of the law.*

# CERF Pension Plan

## Eligibility

Full-time employees (scheduled to work at least 1,000 hours a year) are eligible to participate in the Pension Plan. Part-time and seasonal employees become eligible on January 1 or July 1 after completion of 1,000 hours of service in a calendar year, or upon transfer to full-time status.

## Participation

Participation is mandatory for eligible employees. Full-time employees begin participating in the plan immediately upon their date of hire. Part-time and seasonal employees begin participating once they become eligible.

## Contributions

House Bill 1455 required all participants hired on or after February 25, 2002, to contribute an additional 4% of gross salary to the plan, effective January 1, 2003. A non-LAGERS participant hired prior to February 25, 2002, contributes 2%; a non-LAGERS participant hired on or after February 25, 2002, contributes 6% to the plan. A LAGERS participant hired prior to February 25, 2002, is not required to make contributions; a LAGERS participant hired on or after February 25, 2002, contributes 4% to the plan. Nearly all of the funding for CERF comes from county receipts in the form of contributions, fees and penalties.

## Vesting

A participant is vested after eight years of continuous creditable service during which pay is earned and received for at least 1,000 hours in each of those eight years.

## Prior Service

Employees who were employed on June 10, 1999, and remained employed through January 1, 2000, do not have to purchase prior service. (Specific rules apply in certain rehire circumstances.) Members who terminated vested or retired prior to January 1, 2000, must purchase any service accrued prior to August 28, 1994, in order to include that service in their retirement benefit.

## Early Retirement

Members have the option of retiring as early as age 55 (with eight years of creditable service) and receiving an actuarially-reduced benefit. To be eligible for early retirement, a participant must terminate employment on or after January 1, 2000, and meet other eligibility requirements.

## Cost-of-Living Adjustment

The Board may authorize a Cost-of-Living Adjustment (COLA) each year equal to 100% of the Consumer Price Index, up to 1%, for all members who have been receiving benefits for at least one year on the date the COLA becomes effective. COLAs will become effective on July 1 of each year.

## Survivor Benefits

ACTIVE EMPLOYEES: If a participant dies while actively employed, his or her named beneficiary will receive a lump-sum death benefit of \$10,000. In addition, if the participant is vested at the time of death, the surviving spouse is eligible to apply for a 50% spousal pension benefit.

MARRIED, VESTED MEMBERS: If a vested participant dies before his or her pension begins, his or her surviving spouse can apply for a 50% spousal pension benefit.

SINGLE, VESTED MEMBERS: House Bill 795, effective 8/28/04, allows a refund of contributions to the beneficiary(ies) of a single, vested member who dies on or after August 28, 2004.

RETIRED MEMBERS: Depending on which option the member chooses, the designated survivor will receive the appropriate amount of benefits under the survivor option selected on his or her benefit calculation. Members who terminate employment or retire on or after January 1, 2000, have the option to designate someone other than a spouse as the beneficiary of their retirement annuity.

# CERF Savings Plan

## Eligibility

A member must participate in the CERF Pension Plan in order to be eligible to participate in the CERF Savings Plan.

## Automatic Contributions

Effective January 1, 2000, a member who is not in LAGERS is required to contribute .7% to the CERF Savings Plan. This pre-tax deduction is deposited automatically in the member's 401(a) account.

## Voluntary Contributions

In 2011, participants may contribute up to the lesser of \$16,500, or 100% of their includible compensation to the 457 component of the plan. This limit includes contributions to other 457 plans as well.

## Matching Contributions

Each year, the Board of Directors will determine the amount available for a matching contribution to the Savings Plan (up to plan limits). This matching amount will be added to member accounts for those who earn and receive pay for at least 1,000 hours during the year, retire at age 62, or die while employed by the county, and will be deposited into member accounts as soon as administratively feasible after the plan year has ended. Any matching money granted to member accounts will be deposited into the 401(a) portion of their account.

## Vesting

Members are always 100% vested in their automatic (.7%) and voluntary (457 plan) contributions, and are 100% vested in the matching contributions when they have 5 years of creditable service (from date of hire), or if they die during the plan year.

## Investment Options

A broad range of investment options is available, including the option to pick individual funds or invest through a selected portfolio.

## Making Changes

Participants may change the amount of their contributions on a quarterly basis and can stop 457 plan deferrals completely at any time. Changes to investment options can be done at any time. Investment changes can be made on a same-day basis through either KeyTalk at 800-701-8255 or the website at [www.gwrs.com](http://www.gwrs.com). You will need to use your user ID and personal identification number (PIN) provided to you by Great-West.

## Payment Options

Payments from the 457 or 401(a) portion of the plan may be made through annuity payments, lump sum, or periodic distributions if the account balance is \$5,000 or more.

## Rollovers and Plan Transfers

Members who have other qualified 457 or 401(a) or (k) plans may transfer or roll over money from those plans to the appropriate component of the CERF Savings Plan. Likewise, if a member leaves employment, he or she may transfer or roll over his or her CERF Savings Plan balance to another qualified plan or IRA.

## Need More Information

For more information on the CERF Savings Plan, please see the contact information on the first page of this document or call the CERF Administrative Office for a copy of the most recent Savings Plan brochures.

# Investments

## CERF Investment Portfolio Guidelines and Objectives

CERF's primary focus for the investment portfolio is to invest the pension fund assets in a manner which is in the best interest of the fund's participants.

CERF's Board of Directors has devised an Investment Policy which articulates the fund's goals, objectives, and risk parameters. CERF's Investment Policy states that the pension fund portfolio should be diversified among various investments, with the objective of achieving attractive investment returns within prudent risk parameters over a long-term time horizon.

## Total Portfolio Performance

The CERF investment program has been postured for the long-term. As such, the total pension fund's specific objectives relate to both return and risk, and are long-term focused.

The following chart summarizes the pension fund's results compared to the objectives defined by the investment policy:

### Total Pension Fund Performance vs. Objectives

*Since Inception (December 31, 1994 - December 31, 2011)*

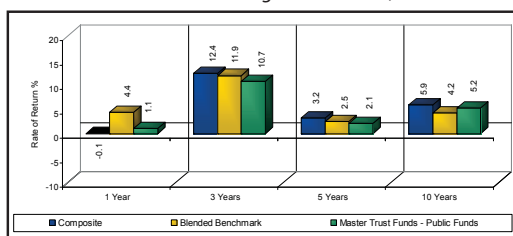
	Benchmark	CERF
• At a minimum, it is the objective of CERF to exceed its actuarial interest rate assumption by 1% on an ongoing basis. <sup>1</sup>	9.0%	8.6%
• The Pension Fund's annualized total return should equal or exceed the annualized rate of inflation as indicated by the Consumer Price Index by 5%.	7.6%	8.6%
• The Pension Fund's total return should exceed the total return of an index composed as follows: 65% S&P 500 Stock Index 35% Bardays Capital Aggregate Bond Index	8.0%	8.6%
• The Pension Fund's level of risk, as measured by Standard Deviation, should be consistent with the risk of an index composed as follows: 65% S&P 500 Stock Index 35% Bardays Capital Aggregate Index	10.5	10.2

<sup>1</sup> The desired long-term objective is to achieve an excess return over the actuarial assumptions by 1%, which is an absolute objective of 9%, net of management fees and transaction costs.

The chart below shows CERF's investment performance compared to relevant benchmarks for various time periods ending December 31, 2011. While total portfolio returns were flat for the year, CERF's portfolio has outperformed both the benchmark and the median public pension fund over the past 3, 5 and 10 year periods.

### Total Pension Fund Performance vs. Benchmarks

*For the Periods Ending December 31, 2011*



## Total Portfolio Asset Allocation

Diversification is key to the success of any long-term investment program, and CERF's investment portfolio has been constructed to be well-diversified with exposure to different investment strategies (asset classes).

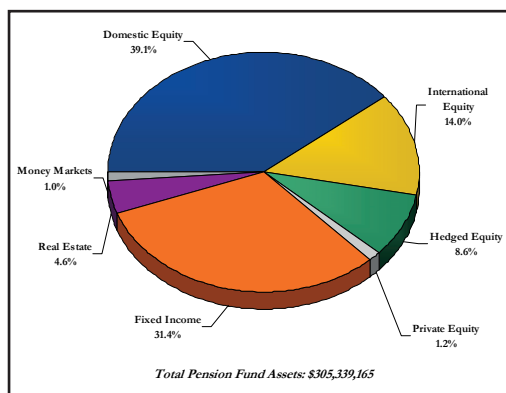
CERF's portfolio structure is continually monitored and reviewed to ensure that it is appropriate given the investment objectives and guidelines. Assets are rebalanced when appropriate to keep the exposures to various investments within the stated ranges defined in the investment policy.

The portfolio's current target asset allocation mix is 65% equity, 30% fixed income and 5% real assets (real estate). Diversification extends beyond asset allocation and is an important element in the implementation and investment manager selection process. Each investment manager is expected to invest in a well-diversified portfolio of high quality securities, and is given specific performance hurdles which they are expected to exceed over reasonable periods of time and within appropriate risk parameters.

The chart below depicts the pension fund's asset allocation as of December 31, 2011:

### Total Pension Fund Asset Allocation

*As of December 31, 2011*



## Equity Portfolio Design

CERF's equity (stock) portfolio is diversified by sub-asset class (domestic stocks, international stocks, hedged equity funds and private equity), investment size (small, mid and large capitalization stocks), investment style (value and growth stocks) and investment management organization (different money managers are responsible for managing specific pieces of the portfolio).

## Fixed Income Portfolio Design

CERF's fixed income (bond) investments are included in the portfolio to enhance diversification, as they are generally less sensitive to movements in the stock market than equities. The fixed income portfolio is intended to represent the broad fixed income markets, with an emphasis on high quality bonds. Different fixed income strategies are represented in the portfolio with varying diversification attributes such as quality, sector and security type.



# Investments

## Real Assets Portfolio Design

Real assets typically behave differently than stocks and bonds, and therefore provide further diversification to an investment portfolio. CERF's portfolio includes an allocation to real estate, primarily through a diversified real estate fund.

The real assets portfolio is intended to be diversified by geographic location and property type, while maintaining strict quality requirements for each property, including leverage and occupancy rates.

## 2011 Year in Review

2011 was a challenging year for investors. The markets started out the year strongly, retrenched in the summer and early fall, and rebounded toward the end of the year. The CERF Portfolio was stable during this volatility, although keeping pace with the fast snap-back of the markets proved challenging for strategies designed to hedge risk in difficult markets.

2011 witnessed continued improvement in US economic conditions, although more troublesome conditions in other developed countries, particularly Europe, led to market angst and a volatile year in the markets. The equity markets, especially US stocks, began the year on a positive note. As the year unfolded, however, investors became increasingly concerned about the prospects for growth in many European markets and Europe's potential contagious effects on the rest of the world. This resulted in investors flocking to more risk-averse investments, like US Treasuries and other fixed income securities, while the equity markets pulled back.

While the growth rate for many of the Eurozone countries did indeed slow, political compromises were enacted that helped avert the potentially disastrous breakup that many feared. As such, the equity markets staged a strong rally in the fourth quarter. For the year, the fixed income markets outpaced the equity markets. The S&P 500 Index was up slightly at 2.1%, while overseas markets recorded double digit declines.

Within the equity markets, the more stable and defensive sectors of the economy showed the most resilience, with utility stocks outperforming all other sectors, while the more economically-sensitive financial, industrial and basic materials stocks declined. This was true both in the US and globally. Owing to the uncertainty highlighted earlier, broad-based retrenchment was noted outside of the US, with Greece experiencing the sharpest pullback.

With continued improvement in domestic economic conditions, corporate balance sheets and earnings remained strong. This resulted in positive returns across the fixed income markets, whether viewed from a quality, sector or maturity perspective. Within the corporate sector, 2011 was another year where lower quality credits advanced the most, as investors were buoyed by modest valuations on securities issued by formerly-distressed corporations with outsized opportunities for improvement in their financial condition

## Ongoing Monitoring

The CERF Board of Directors works closely with their investment consultant to oversee the investment program. This includes investment policy design and oversight, asset allocation review and ongoing manager due diligence.

CERF's investment managers provide regular updates on their portfolios to the consultant and CERF's staff. In addition, each investment manager presents a formal update to the Board on a periodic basis.

CERF's Board of Directors and their consultant meet each calendar quarter to review the investment portfolio in detail and to discuss and address specific issues. In addition, interim meetings are held as needed to ensure that the monitoring and oversight process for CERF's investment portfolio is ongoing.

The CERF Board's primary focus regarding the investment program is to achieve the stated investment objectives in a prudent manner over a long-term time horizon.

# Actuarial

## PLAN MEMBERSHIP

AS OF JULY 1, 2011

Covered Payroll	\$353,991,192
Average Pay per Active Member	\$32,152

## ANNUAL REQUIRED CONTRIBUTION

Unfunded Actuarial Accrued Liability (UAAL)	\$134,046,374
Amortization of UAAL, with interest to mid-year*	\$9,736,672
Normal Cost, with interest to mid-year	\$15,949,848
Reduction in Normal Cost for Member Contributions	\$8,200,474
Annual Required Contribution as a percent of payroll	\$17,486,046 4.94%

## PLAN ASSETS

Market Value	\$322,732,020
Actuarial Value	\$318,320,084

## FUNDED STATUS

Actuarial Present Value of Accrued Benefits (based on current pay)	\$386,626,223
Funded Ratios	
Accumulated Benefit Basis	82%
Actuarial Accrued Liability Basis	70%

\* The UAAL is being amortized as a level percentage of payroll over a 30-year period beginning January 1, 1995.

# County Employees'



# Financial Statements



## STATEMENT OF PLAN NET ASSETS DECEMBER 31, 2011

### ASSETS

Cash	\$ 1,840,233
Receivables:	
Member contributions	347,785
Member prior service contributions	127,692
County contributions	2,701,683
Receivable for pending investment sales	195,843
Accrued interest and dividends	<u>680,435</u>
Total receivables	4,053,438
Investments, at fair value	301,869,262
Invested securities lending collateral	63,074,150
Other assets	5,549
Capital assets, net of accumulated depreciation of \$2,190,846	<u>3,512,871</u>
Total assets	<u>374,355,503</u>

### LIABILITIES

Accounts payable	377,035
Accrued defined contribution plan contribution	2,224,641
Other accrued expenses	86,118
Deferred revenue	248,281
Payable for pending investment purchases	874,771
Collateral for securities on loan	<u>64,820,526</u>
Total liabilities	<u>68,631,372</u>
Net assets held in trust for pension benefits	<u>\$ 305,724,131</u>

The notes to financial statements are an integral part of these statements and are available on CERF's website, or by contacting the CERF Administrative Office.

# Retirement Fund

# Financial Statements



## STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011

### ADDITIONS:

Contributions:	
County receipts	\$19,364,023
By members	8,929,581
For members, paid by counties	1,032,000
Members, purchase of prior service	81,043
Total contributions	<u>\$29,406,647</u>
Investment income (loss):	
Investing activities:	
Net appreciation (depreciation) in fair value of investments	(5,933,531)
Fixed income securities	2,602,826
Equity securities	2,813,769
Alternative investments	111,207
Other miscellaneous income	201,588
Total investment income	<u>(204,141)</u>
Investment expenses	<u>(1,684,106)</u>
Net income (loss) from investing activities	<u>(1,888,247)</u>
Securities lending activities:	
Income	190,968
Expenses	(85,487)
Net increase (decrease) in fair value of re-invested collateral	188,922
Net income (loss) from securities lending activities	<u>294,403</u>
Total net investment income (loss)	<u>(1,593,844)</u>
Other income	<u>5,112</u>
Total additions	<u>27,817,915</u>

### DEDUCTIONS:

Benefits	18,825,068
Refunds of member contributions	3,316,811
Defined contribution plan matching contribution	2,224,641
Administrative expense	1,917,436
Total deductions	<u>26,283,956</u>
Net increase	1,533,959

### Net assets held in trust for pension benefits

Beginning of year	304,190,172
End of year	<u>\$305,724,131</u>

The notes to financial statements are an integral part of these statements and are available on CERF's website, or by contacting the CERF Administrative Office.

# CERF Demographics

(Data as of December 31, 2011)

Active Participants	10,989
Retired Members and Beneficiaries	3,446
Terminated Vested Participants	1,692

Sum of Death Benefits (since inception)	\$ 3,809,948
Sum of Remaining Buy Back Balances	\$ 127,692
Sum of Benefit Payments, Taxes and Buy Back Payments (since inception)	\$ 134,533,543

Average Gross Monthly Benefit	\$456.44
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## Summary of County Receipts for 2011

Assessor Late Fees	Collector Merchant License Fees	Collector Delinquent Fees	County Interest	Employee Contributions	County Contributions	Recorder Document Filing Fees
\$5,230,653	\$1,142,799	\$8,039,013	\$53,424	\$8,929,581	\$1,032,000	\$4,898,134

**County Employees' Retirement Fund**

*2121 Schotthill Woods Drive*

*Jefferson City, MO 65101*